



# Budget 101: Local Government Budgeting

Association of Indiana County Auditors

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# DISCUSSION

- Purposes of Preparing a County Budget
- Responsibility for Budget Preparations
- 2010 Budget Process
- Overview of the Budget Process
- Budget Calendar
- Maximum Levy Information
- Additional appropriations
- Transfers of Appropriations
- Questions and Answers



# PURPOSES OF PREPARING A COUNTY BUDGET

- **A county budget:**
  - is the most important **managerial tool** available to local government
  - provides a **resource** for county council, county executive, officeholders, department heads, and taxpayers to identify the operating costs considered essential to the successful operation of the county for a given period
  - is a **process**, a **statement of goals**, and a **policy instrument**.



# GLOSSARY OF TERMS

**Appropriations** – Authority by county council to expend funds

**Cash** – Monies on hand or invested as evidenced by entry in the unit's ledger

**Controlled Levy** – Tax monies raised which are chargeable against the Maximum Permissible Levy such as General Fund, Health, Reassessment

**Excessive Levy** – An amount of money, which exceeds the maximum permissible levy

**Exempt Levy** – Tax money raised which is outside the Maximum Permissible Levy such as a Debt Service Fund

**Funds** – A set of accounts established for the purpose of carrying out a specific purpose or activity



# GLOSSARY OF TERMS

**Levy Excess** – That amount of money which is actually raised in excess of 100% of the fund levy approved by the DLGF

**Maximum Permissible Levy** – The maximum amount of tax money which may be raised in any budget year as determined by the DLGF

**Taxing Unit** – An individual taxing authority such as a county, city/town, township, school, library (the tax rate established by the taxing unit is a component of the taxing district rate)

**Taxing District** – A composition of multiple taxing units (tax statements are based on the “district” rate)



# RESPONSIBILITY FOR BUDGET PREPARATIONS

- **Local Government Budgeting** is organized into fund accounts that separate receipts and expenditures by source, purpose, function and organizational unit within the local government
- The **County Auditor** is typically responsible for developing and compiling all budget estimates and preparing the budget documents; the county council is charged with formally adopting the annual budget
- The **County Council** levies property taxes and appropriates public monies



# BUDGET PROCESS GETTING STARTED

## **PUTTING THE BUDGET TOGETHER** — Required Forms:

- Budget Form 1 – County Budget Estimate
- Budget Form 2 – Estimate of Miscellaneous Revenue
- Budget Form 3 – Notice to Taxpayers of Budget Estimates and Tax Levies
- Budget Form 4 – Ordinance for Appropriations and Tax Rates
- Budget Form 4B – Budget Estimate – Financial Statement – Proposed Tax Rate
- Budget Form 4A – Certificate of Appropriations
- Budget Form 144 – Statement of Salaries and Wages



# BUDGET FORM 1

## COUNTY BUDGET ESTIMATE

- Prepared for each fund budget within the county
- Used to estimate the necessary expenditures for the ensuing budget year
- Divided into four (4) classifications:
  - Personal Services
  - Supplies
  - Other Services and Charges
  - Capital Outlays
- Should reflect needs considered necessary to perform the functions of county government





# **BUDGET FORM 2**

## **ESTIMATE OF MISCELLANEOUS REVENUE**

- Accounts for revenue from all sources other than property taxes
- Accounts for revenues over an eighteen (18) month period
- Separate Estimate of Miscellaneous Revenue must be prepared for each fund maintained by the county



# BUDGET FORM 2 ESTIMATE OF MISCELLANEOUS REVENUE

ID YEAR CO TYPE KEY FUND  
COUNTY, INDIANA  
ESTIMATE OF MISCELLANEOUS REVENUES FUND  
FROM SOURCES OTHER THAN GENERAL PROPERTY TAXES  
FOR USE IN PREPARATION OF ESTIMATE OF FUNDS TO BE RAISED, YEAR

PREPARE SEPARATE ESTIMATE FOR EACH FUND

	ESTIMATED AMOUNTS TO BE RECEIVED			
	-A- July 1, _____ to Dec. 31, _____	-X- Department of Local Government Finance	-B- Jan. 1, _____ to Dec. 31, _____	-X- Department of Local Government Finance
<b>OTHER TAXES</b>				
0201 Financial Institutions Tax .....				
0202 Vehicle License Excise Tax .....				
0203 CAGIT Certified Shares .....				
0204 CAGIT Property Tax Replacement Credit .....			XXXXXXXXXX	
0206 Surtax .....				
0207 Wheel Tax .....				
0212 County Option Income Tax (COIT) .....				
0217 CVET Commercial Vehicle Excise Tax.....				
<b>INTERGOVERNMENTAL REVENUE:</b>				
Revenue From State and Federal Sources:				
1413 Change of Venue .....				
1510 Inheritance Tax - County's Share .....				
1511 Intangibles Tax - County's Share .....				
1512 Surplus State Dog Fund .....				
1513 Special Judges .....				
1414 Board of Education - Tuition Support.....				
1122 Care of Federal Prisoners .....				
1121 Civil Defense - Federal Matching Funds .....				
1301 In Lieu of Taxes - Housing Authority .....				
1501 Alcoholic Beverage Excise .....				
<b>COUNTY HIGHWAY FUND DISTRIBUTIONS:</b>				
1416 Motor Vehicle Highway Account .....				
1417 Local Road and Street Distribution.....				
1516 Highway Engineer's Salary .....				
<b>LICENSES AND PERMITS:</b>				
2101 Plan Commission .....				
2102 Building Department .....				
2505 County Health Department .....				
<b>CHARGES FOR SERVICES:</b>				
2111 County Auditor .....				
2106 County Treasurer - Demand Fees.....				
2107 County Treasurer - Tax Sale Costs.....				
2108 County Recorder .....				
2109 County Sheriff .....				
2110 County Surveyor .....				
2210 Prosecuting Attorney .....				
2508 County Home- Care of Residents .....				
2509 County Home - Other Revenue .....				
2504 Emergency Ambulance Service .....				
2403 Sanitary Landfill .....				
2601 Park Receipts.....				
<b>FINES AND FORFEITURES:</b>				
4103 Clerk of Circuit Court .....				
<b>MISCELLANEOUS REVENUE:</b>				
6100 Interest on Investments .....				
6200 Rental of County Property .....				
6400 Contributions and Donations .....				
6500 Miscellaneous Revenues.....				
<b>OTHER FINANCING SOURCES:</b>				
5101 Sale of County Property .....				
5400 Repayment of Loans .....				
5208 Repayment of Poor Relief Advances .....				
5601 Tax Refunds .....				
0210 Unclaimed Surplus Tax .....				
0211 Unclaimed Tax Sale Surplus .....				
9999 Total Columns A and B.....	\$ -		\$ -	
	Line 8A		Line 8B	

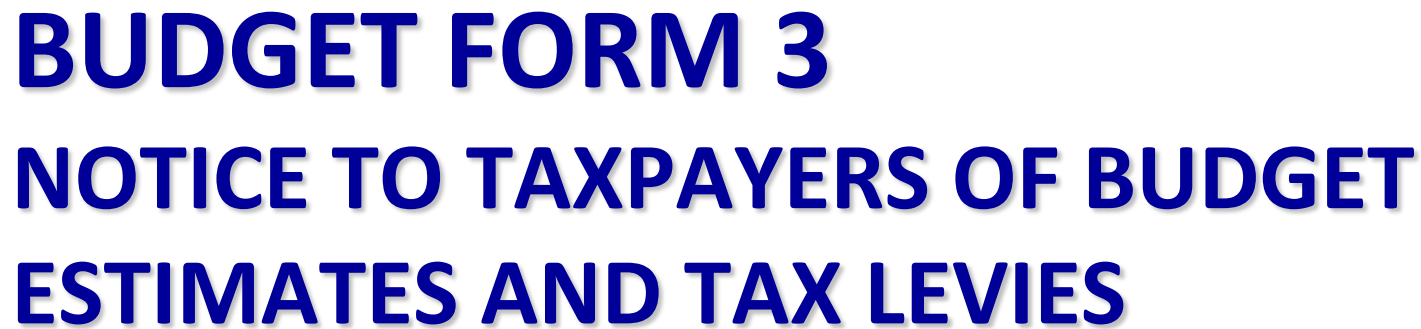
NOTE: Col. A is for the period from July 1 to December 31 of the present year.  
Col. B is for the period from January 1 to December 31 of the incoming year.  
Cols. X are reserved for the Department of Local Government Finance.  
CAGIT means County Adjusted Gross Income Tax.



# **BUDGET FORM 3**

## **NOTICE TO TAXPAYERS OF BUDGET ESTIMATES AND TAX LEVIES**

- Used to advertise to taxpayers the budgets and levies which are to be raised in the ensuing year.
- Notifies taxpayers of the dates of the public hearing and adoption of the budget
- Published two (2) times ten (10) days prior to the public hearing
- Ten (10) days between the public hearing date and adoption date
- **DLGF cannot approve a budget or levy in excess of the amount published in the Budget Form 3**



Budget Form No. 3 (Rev 2005)

### BUDGET ESTIMATE

Net Assessed Valuation

Complete details of budget estimates by fund and/or department may be seen at the County Auditor, City Controller, Clerk Treasurer's or Fire Protection District Offices.

[illegible]

(County Auditor, City Controller, Clerk-Treasurer or Fire Protection District )



# **BUDGET FORM 4**

## **ORDINANCE FOR APPROPRIATIONS AND TAX RATES**

- Used to formally approve the money appropriated on Budget Form 4A for the ensuing budget year
- Must be completed by the county council to approve the county budget for the ensuing year
- Adoption date on Budget Form 4 should be the last date the county council acted on the budgets, tax rates and tax levies for the county



# BUDGET FORM 4B

## BUDGET ESTIMATE-FINANCIAL STATEMENT-PROPOSED TAX RATE

- Used to account for monies necessary to be raised for the ensuing budget year
- Designed to account for an eighteen (18) month period
- Commonly referred to as the *16 Line Statement*
- Financial section of the form is divided into four (4) sections:
  - The appropriations section (Lines 1 through 5)
  - The income section (Lines 6 through 9)
  - Amounts to be Raised by Tax Levy (Lines 10 through 16)
  - Net Tax Rate (Lines 17)



# BUDGET FORM 4B

## BUDGET ESTIMATE-FINANCIAL STATEMENT-PROPOSED TAX RATE

PRESCRIBED BY THE DEPARTMENT OF LOCAL GOVERNMENT FINANCE  
APPROVED BY STATE BOARD OF ACCOUNTS

Budget Form 4-B (Rev 2002)

ID YEAR CO TYPE FUND

### BUDGET ESTIMATE- FINANCIAL STATEMENT- PROPOSED TAX RATE

TAXING UNIT \_\_\_\_\_  
FUND \_\_\_\_\_

COUNTY \_\_\_\_\_  
NET ASSESSED VALUATION \_\_\_\_\_

(This form is to be prepared for each fund that requires either a tax rate or an appropriation)  
(NOT TO BE PUBLISHED)

FUNDS REQUIRED FOR EXPENSES TO DECEMBER 31st OF INCOMING YEAR	AMOUNT USED TO COMPUTE PUBLISHED BUDGET	APPROPRIATING BODY	TAX ADJUSTMENT BOARD	CONTROL BOARD AND DLGF FINAL ACTION
1. Total budget estimate for incoming year				
2. Necessary expenditures, July 1 to December 31 of present year, to be made from appropriation unexpended				
3. Additional appropriation necessary to be made July 1 to December 31 of present year				
4. Outstanding temporary loans				
a. To be paid not included in lines 2 or 3				
b. Not repaid by December 31 of present year				
5. <b>TOTAL FUNDS required</b> (add lines 1,2,3,4a and 4b)				
FUNDS ON HAND TO BE RECEIVED FROM SOURCES OTHER THAN PROPOSED TAX LEVY:				
6. Actual cash balance, June 30 of present year (including cash investments)				
7. Taxes to be collected, present year (December settlement)				
8. Miscellaneous revenue to be received July 1 of present year to December 31 of incoming year				
(Schedule on File):				
a. Total Column A Budget Form 2				
b. Total Column B Budget Form 2				
9. <b>TOTAL FUNDS</b> (Add lines 6, 7, 8a and 8b)				
10. Net amount to be raised for expenses to December 31 of incoming year (deduct line 9 from 5)				
11. Operating balance ( not in excess of expense January 1 to June 30, less miscellaneous revenue for same period)				
12. Amount to be raised by tax levy (add lines 10 and 11)				
13. Property Tax Replacement Credit from Local Option Tax				
14. <b>NET AMOUNT TO BE RAISED BY TAX LEVY</b> (deduct line 13 from line 12)				
15. Levy Excess Fund applied to current budget	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	
16. Net amount to be raised				
17. Net Tax Rate on each one hundred dollars of taxable property				



# TAX LEVY AND TAX RATE

## BUDGET FORM 4B

### Line 16 of Form 4B:

- This amount represents the total amount of taxes to be levied to fund the ensuing year budget and the cash flow for the first half of the subsequent budget year for a particular fund

### Line 17 - Net Tax Rate

- Represents the tax rate necessary to raise the levy required by Line 16

$$\text{Tax Rate} = (\text{Tax Levy}/\text{AV}) * 100 \text{ or } \text{Tax Levy} = (\text{AV}/100) * \text{Tax Rate}$$

Example: Net Assessed Value = \$300,000,000 divided by 100 = \$3,000,000

Tax Levy (Line 16) = \$1,000,000

Tax Levy/(Net Assessed Value/100) = \$1,000,000 / \$3,000,000 = .3333

Tax Rate (Line 17) = .3333





# BUDGET FORM 4A

## CERTIFICATE OF APPROPRIATIONS

- Used to account for appropriations as *adopted* by the county council
- Divided by fund and major budget classification totals
- Only form which indicates the official action of the appropriating body
- Necessary that form is completed



# BUDGET FORM 4A

## CERTIFICATE OF APPROPRIATIONS

PRESCRIBED BY THE DEPT OF LOCAL GOVERNMENT FINANCE  
APPROVED BY STATE BOARD OF ACCOUNTS

Budget Form 4-A (Rev. 2002)

### BUDGET REPORT FOR

TAXING UNIT

COUNTY

FUND: \_\_\_\_\_

100000 PERSONAL SERVICES  
200000 SUPPLIES  
300000 OTHER SERVICES AND CHARGES  
400000 CAPITAL OUTLAYS  
9999 TOTAL

FUND: \_\_\_\_\_

100000 PERSONAL SERVICES  
200000 SUPPLIES  
300000 OTHER SERVICES AND CHARGES  
400000 CAPITAL OUTLAYS  
9999 TOTAL

FUND: \_\_\_\_\_

100000 PERSONAL SERVICES  
200000 SUPPLIES  
300000 OTHER SERVICES AND CHARGES  
400000 CAPITAL OUTLAYS  
9999 TOTAL

ORIGINAL PUBLISHED BUDGET APPROPRIATION	AMOUNT APPROVED BY		FINAL BUDGET AFTER REDUCTION ORDERED BY THE DEPT OF LOCAL GOVT. FINANCE
	LOCAL COUNCIL OR BOARD	TAX ADJUSTMENT BOARD	

DEPARTMENT: \_\_\_\_\_ FUNCTION: \_\_\_\_\_

0	0	0	0

DEPARTMENT: \_\_\_\_\_ FUNCTION: \_\_\_\_\_

0	0	0	0

DEPARTMENT: \_\_\_\_\_ FUNCTION: \_\_\_\_\_

0	0	0	0

FUND \_\_\_\_\_ TOTAL \_\_\_\_\_  
(ONLY IF DEPARTMENTALIZED)



# TWO-STAGE REVIEW PROCESS

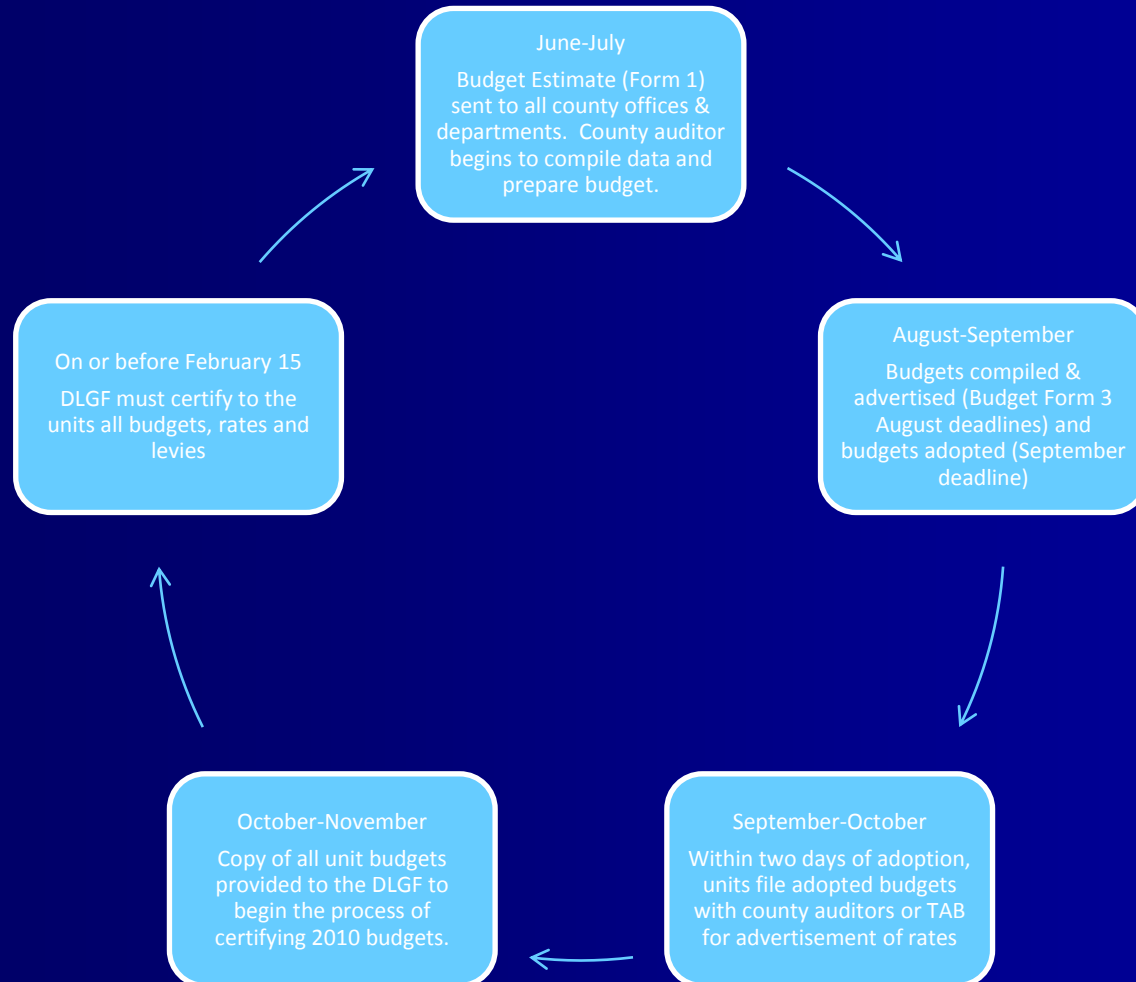
**After adoption of the budget, it is subject to a review process:**

- (1) Through the advertisement of the proposed tax rates for all taxing districts by the Tax Adjustment Board or county auditor
- (2) By the hearing officers for the Department of Local Government Finance

***The Department of Local Government Finance makes final determinations of budgets, rates, and levies.***



# BUDGET PROCESS OVERVIEW





# 2010 BUDGET CALENDAR

## (And Other Important Dates)

- **July 1** Assessors file assessed values with county auditors (I.C. 6-1.1-3-17(b))
- **July 31** Last day to adopt ordinance establishing, increasing, or decreasing COIT (I.C. 6-3.5-6-8(c)), CAGIT (I.C. 6-3.5-1.1-2(c)), or CEDIT (I.C. 6-3.5-7-5(d)) rates
- **August 1** Deadline for county auditors to file certificate of net assessed valuations and estimates of miscellaneous revenues with units and the DLGF (I.C. 6-1.1-17-1)
- **August 2** **Last day for first publication of Budget Form 3 (Notice to Taxpayers of Budget Estimates and Tax Levies)** which includes the 2010 annual total appropriations, proposed tax levy, excessive levy appeals, and the current tax levy (at least ten (10) days prior to the public hearing) (I.C. 6-1.1-17-3)



# 2010 BUDGET CALENDAR

## (And Other Important Dates)

- **August 2** Deadline for units to submit to the DLGF cumulative fund proposals (I.C. 6-1.1-17-16-7)
- **August 9** Last day for second publication of Budget Form 3 (at least three (3) days prior to the public hearing) (I.C. 6-1.1-17-3)
- **September 15** Last day for civil units (does not include schools) to submit proposed budgets, rates, and levies to county councils for non-binding review and recommendation (fifteen (15) days before last day to adopt) (I.C. 6-1.1-17-3.5)
- **September 16** Last day for units with appointed boards to submit budgets to fiscal body for adoption (I.C. 6-1.1-17-20)
- **September 19** Last day for units to file excessive levy appeals (I.C. 6-1.1-18.5)



# 2010 BUDGET CALENDAR

## (And Other Important Dates)

- **September 20** Last day for public hearing on 2010 budget (at least ten (10) days prior to adoption date) (I.C. 6-1.1-17-5(a)) Deadline for units to submit TIR worksheets to DLGF (I.C. 6-1.1-21.2)
- **September 27** Last day to file objecting petitions to budget, rates, or levies with local units (I.C. 6-1.1-17-5(b))
- **September 30** **Deadline for units to adopt budgets, rates, and levies (I.C. 6-1.1-17.5)**  
Deadline for cities and counties to adopt salary ordinance for following year (I.C. 36-4-7-3)
- **October 1** Effective date for new LOITs imposed before July 31 (I.C. 6-3.5)
- **October 2** Units file adopted budgets with county auditor and Tax Adjustment Board (I.C. 6-1.1-17-5)



# 2010 BUDGET CALENDAR

## (And Other Important Dates)

- **October 30** Auditor advertises Tax Adjustment Board approved property tax rates (I.C. 6-1.1-17-12) **IMPORTANT TO THOROUGHLY PROOF!**
- **December 15** Last day for DLGF to accept additional appropriation requests from units (I.C. 6-1.1-18-5)
- **December 30** Deadline for units to file shortfall appeals with DLGF (I.C. 6-1.1-18.5-12)  
Last day to accept applications for deductions and credits (I.C. 6-1.1-12-44)





# MAXIMUM LEVY INFORMATION

- **Maximum levy limitations** control the amount of property tax levied by a unit placing caps on revenues available through property tax
- **Levy growth** is limited to the amount that was levied in the previous year plus an average statewide growth percentage
- Maximum levy amounts are determined and certified by the DLGF
- **If levies are certified below the maximum, at least one-half ( $\frac{1}{2}$ ) will be lost:**

Example: Max levy (current year) = \$500,000

Council adopted levies (current year) = \$400,000

New max levy (ensuing year) = \$450,000



# MAXIMUM LEVY INFORMATION

- **Funds are classified as:**
  - Levy controlled
  - Rate controlled (cumulative funds)
  - Debt service (or “need controlled” funds)

## LEVY CONTROLLED FUNDS

- Controlled levies are included in the maximum levy calculation, i.e., general fund, health fund, reassessment
- Exempt levies are exempt from maximum levy calculations, i.e., debt service, cumulative capital.
- Cannot exceed the “maximum levy” unless permitted by statute, i.e. excess levy appeal process



# MAXIMUM LEVY INFORMATION

## LEVY CONTROLLED FUNDS (Cont'd)

- Maximum levy is allowed to grow each year by the statewide average growth in non-farm personal income or 6% whichever is less
- Because the levy is limited, rates can increase or decrease based on assessed valuations

## RATE CONTROLLED FUNDS

- Maximum allowable rates are set by statute
- Capacity of funding is independent of needs
- Rates are reduced annually to changes in AVs due to “trending” or reassessment

## DEBT SERVICE (NEED CONTROLLED FUNDS)

- Levies are set based on the amount necessary to pay principal and interest expense on debt



# IMPORTANT NOTES

## PUBLICATION DATES TO REMEMBER!

- The last date for the first publication of the Budget Form 3 (Notice to Taxpayer of Budget Estimates and Tax Levies is August 2, 2009 and the last date for the second publication is August 9, 2009

**Note:** In many cases, counties will not have their 2009 certified budget orders. Taxing unit officials will have to estimate the financial data necessary to complete Column 3 of Budget Form 3 (Maximum Estimated Funds to be Raised) and Column 4 (Excessive Levy Appeals).

***The DLGF cannot approve a budget or levy in excess of the amount published in the Budget Form 3.***



# ADDITIONAL APPROPRIATIONS

- Additional appropriations process is used to appropriate money in excess of the established current year budget
- Fiscal body must act on all additional appropriations
- Approval by the DLGF is limited to:
  - Cash funds that receive revenue from property taxes
  - Motor Vehicle Highway Fund
  - Local Road and Street Fund
  - Rainy Day Fund
- Other additional appropriations must be reported to the DLGF (Reporting Only Funds)
- Legal notices for additional appropriations, whether or not they require approval of the DLGF, must be published one (1) time in one (1) or two (2) newspapers, no less than ten (10) days before the public hearing on the proposal



# ADDITIONAL APPROPRIATIONS PROCESS

## Summary of Procedures:

- 1) Notice to Taxpayers is published in accordance with I.C. 5-3-1-4 ten (10) days before the public meeting
- 2) Public meeting is held on date and time as advertised and resolution/ordinance is passed
- 3) Appropriations requiring DLGF approval must be certified and reviewed by the DLGF to insure funds are available
- 4) For funds that do not require approval (Reporting Only), the units must report the fund and amount appropriated to the DLGF (DLGF will only acknowledge the receipt of information for funds that are designated as Reporting Only)
- 5) DLGF issues written determination on appropriations requiring approval within fifteen (15) days of receipt
- 6) Deadline to submit additional appropriation requests to the DLGF is December 15
- 7) Appropriations are available for use once the DLGF approval is received



# TRANSFERS OF APPROPRIATIONS

- Transfer process allows for movement of appropriations between categories
- Transfer does not require expenditure of more money than the total amount set out in the budget
- Transfer process merely shifts the use of the funds between line items in the fund
- Transfer is made at a regular public meeting and by proper ordinance/resolution
- Transfer is made without notice and without the approval of the Department of Local Government Finance



# TRANSFER OF FUNDS TO THE RAINY DAY FUND

- A political subdivision may establish a rainy day fund to receive transfer of unused and unencumbered funds
- Rainy Day Fund is subject to the same appropriation process as other funds that receive tax money
- Transfer of funds to the Rainy Day Fund must be consistent with the intent of the original fund
- Political subdivision may transfer not more than ten percent (10%) of the political subdivision's total budget for that fiscal year to the Rainy Day Fund
- DLGF may not reduce the actual or maximum permissible levy of a political subdivision as a result of a balance in the Rainy Day Fund
- Transfers to the Rainy Day Fund must be reported to the DLGF
- Resolution/ordinance approving the transfer must include the name of each fund and the amount being transferred out of each fund to the Rainy Day Fund





# DLGF COMMUNICATIONS

## ■ Memorandum to All Taxing Units (May-June)

- Budget Calendar
- Budget Forms
- Suggested Maximum Levy Calculation
- DLGF Budget Workshops
- Tax Adjustment Board Rate Chart
- Other Budget Related Information

## ■ Follow Up Correspondence (Mid-June)

- Auditor's Certificate
- Circuit Breaker Reporting Form
- Other Budget Related Information



# QUESTIONS AND ANSWERS





# CONTACT THE DEPARTMENT

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- Web site: [www.in.gov/dlgf](http://www.in.gov/dlgf)
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